

UNITED STATES SMALL BUSINESS ADMINISTRATION

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PROCEEDINGS

[START TAPE 1 SIDE A]

MS. JUDITH A. ROUSSEL: Good morning. I'm Judith Roussel, the District Director for the US Small Business Administration's Illinois District. And on behalf of SBA it's my pleasure to welcome you this morning to this Regulatory Fairness Hearing. We certainly want to thank Rock Valley College and its SBDC [phonetic] and particularly Shirley DeBenedetto for hosting the hearing this morning.

In accordance with the mission of the Office of the National Ombudsman, today we're going to hear testimony and we're going to receive comment both verbal and written from small businesses with concerns about regulatory enforcement by Federal Agencies. What happens then is that SBA will act as a liaison or a mediator of sorts by bringing those concerns to the Federal Agencies that are appropriate and about whom you have some concerns. Those concerns would be reviewed at a very high level within those agencies and those agencies would then give consideration to the fairness of their actions. That's short of what's going to happen today in a thumbnail. In a few minutes you will meet the people who are here at the days [phonetic] and they will provide comments and they will hear your testimony. Without further ado we'd like to get things going and start off by introducing to you Patrick Rea, SBA's Regional Administrator for the mid-west. Patrick was appointed by President Bush in November of 2003. And he is responsible for SBA's operations in the States of Illinois, Wisconsin, Indiana, Michigan, Ohio, and Minnesota. So he has a wide purview throughout the agency. As Regional Administrator he is the principal representative of SBA's Administrator, Hector Barretto, for the mid-west and he provides interface with regional, state and local elected and appointed officials with trade organizations and with small business communities throughout the mid-west. So without further ado, it's my pleasure to present Patrick Rea.

MR. PATRICK REA: Well thank you Judith. It's a pleasure to be back in Rockford. I was here about three weeks ago and just a few weeks before that. So, it's always good to be here. I should say that Judith who heads up our Illinois office is not only experiencing the usual excellence of her effort but of her staff and she is vying among the very large offices, nip and tuck between Chicago and Los Angeles to be the largest, the best and most advanced under our objectives as a large office in the United States. Just in the past week there's been a movement out in Los Angeles which we are suspicious of and we'll take a look at that very quickly and see what we can do about correcting it, one way or the other. At any rate, she is wonderful and we're happy. I'm very pleased that she is here to be part of this in her state.

It is my privilege to introduce the individual that heads up the Ombudsman Office for the SBA. And I should say to you that beginning about 15 years ago, the office of Ombudsman throughout the United States, both at the state and local level and the federal level became very important. In 1996 Congress approved such an office for the small businesses of the United States. The incumbent and the wonderful person that will head up today's effort is the fourth one appointed by the President since the establishment of the office in 1996. He is an attorney. He has headed up two separate law firms. He's very proud also to be from Kansas City where he was a small business person at least within the family, as they ran a group of, I keep saying to him privately, although I don't say it too loud, Swedish restaurants, but I believe they were not. They were wonderful Mexican restaurants in Kansas City. Undergraduate in Kansas as I say, University of Texas Law Degree. His practice to the Bar in at least two States, and has been all over this country on behalf of the small businesses of the United States. When he conducts these hearings he conducts them on behalf of SBA but also on behalf of the United States Congress. With extensive experience in small business, with wonderful experience as a practicing attorney, and having come forward with a broad breadth of understanding from a number of States, we are pleased to have as the US National Ombudsman for Small Business throughout our country and representing the 25 million small businesses, Michael Barrera.

[Applause]

MR. MICHAEL BARRERA: Good morning. I'm so glad to be here. Actually it's funny. When I first started with the SBA I had a chance, I was driving from Kansas City to Washington DC. And I still wasn't quite the employee, I was on the payroll but I still hadn't been in the office yet. And the weekend I drove up, I actually stopped in Chicago, which is one of my favorite cities. I love Chicago because when I want my pizza hit or my hot-dog hit; this is where I do it. And I stopped. I actually got a chance to meet Judith for the first time. And I met her, I said "what a wonderful person". "This is going to be a great job". But people don't realize, the weekend I was here was the weekend before 9/11 and actually 9/11 was my second day in Washington DC. And so I started out in a very exciting time.

You know what's interesting about that time when I started out was that how it affected small business. And I think small business was never more appreciated than after 9/11. Because we've often heard everybody say small business is the engine that drives this economy. But 9/11 proved that. Because when 9/11 happened, all of you out there really felt the effects of that. And it showed when small business wasn't going well, this economy was slowing down. Right now small business is doing great things. And at the SBA we've got a great team at the SBA, that knows small business. In fact the Administrator, my

boss, and I'll talk about it a bit more lately. His name is Barretto. And he's from Kansas City. I'm Barrera. And I'm from Kansas City. His parents own Mexican restaurants, mine own Mexican restaurants. And before he became my boss, mine were the best ones. And once he became the boss, I can't really have the argument anymore. And I used to tease him when we first got up there and said, you know, Hector you've got to realize that the name Barrera does come before Barretto in the phone book. He goes "Not the SBA phone book." So. But he's a passionate man and I've been so proud to work with him. And he recognized the importance of the Ombudsman's Office.

A lot of people didn't really know about what my office does. And I guess the best way to present, and we're going to do a PowerPoint presentation here is that we're your trouble-shooter. We're not your lawyers. We are your trouble-shooter. When you have a problem that we will do our best - we may not always get you the answer that you want - but we will get you an answer. And I'm so lucky that I'm supported by great people at the SBA that appreciate that office, what it does. And who also have that passion for small business. And you have a favorite son, that's representing you within the SBA. You know we've got Missouri covered now. But we also have Illinois covered. And that's our Chief of Staff, who is a graduate of the University of Chicago, passionate about Illinois. Now the Bears have not played the Chiefs in the last couple of years, so we haven't had to do that bet, but he still owes me some pizza from here and he hasn't brought that back yet. So I had to actually force him to come to one of these hearings. But he wanted to come. And have an opportunity to see what these hearings are about. He's a passionate, he's our Chief of Staff. He runs, he basically runs the day to day operations of the SBA. And we've seen such tremendous change in our agency in the last couple of years. We're run it like a small business because we realize is that as budgets get tighter, we just got to be better. And what we've learned and with his philosophy is this. You don't need bigger budgets to be better. You just need to be better. And you can do better. And what we've done since we've gotten here. Three years ago when we got started we did 40,000 loans. The SBA. This year we'll do 100,000 loans. That's how much we've changed things. So we've done more with less. And that's the way, you as a business have learned how to do it and that's what Steve Galvan's, his philosophy is to do things better with what we got. Without further ado I'm going to introduce the SBA's, Illinois favorite sons, Steve Galvan, our Chief of Staff.

[Applause]

MR. STEVE GALVAN: Well good morning. Thank you very much, Michael, thank you. I appreciate it. The mid-west and Illinois are served extremely well by both Judith and Patrick and again that's most appreciated. I serve the President and the SBA as the Chief of

Staff to Administrator Barretto and also as his Chief Operating Office and again as Michael said, I'm pleased to be here in that capacity and participate as a resident of the State of Illinois. I live just outside of Chicago on the eastern DuPage County. I've been a resident there of 17 years and still continue to be. So I come just about every week back home, where my wife resides. President Bush's small business agenda emphasizes lower taxes, less regulation and greater advocacy for small business. The Office of the National Ombudsman is a key tool in the implementation of the agenda. And both the President and the Administrator take this office very, very seriously. The office gives small businesses a voice when they believe a Federal Agency or its representatives has treated him unfairly. The SBA and the National Ombudsman's strive to lift the regulatory burden off the backs of small business and the results are demonstrated in hearings like this around the country. The goal of the SBA is to free small businesses to grow, create jobs, be innovative and contribute even more to our nation's economy and again it's something that we continually keep our focus on. So again I'm very, very pleased to be here today. And I'm going to turn over to Michael again and we'll start the hearing. Thank you.

MR. BARRERA: This is a loud stage. So you know when I'm getting up. What we're going to do at this point, we're going to go and do the PowerPoint presentation. We're expecting the Chairman here any time and when he gets here he'll want to come and say a couple of words and I do want to say this, you're very lucky to have the Chairman of the Small Business Committee as your representative. And he's been a great friend of ours and I'm looking forward to him being here and he's been a good friend of mine since I got there because he believes in this office. So I'm looking forward to him being here and addressing you. Are you ready? Can we turn the lights down a little bit.

I guess before we get started, I want to introduce our, you know in order for this office to work, we have to be able to work with our Federal Agency partners. When we first got started I think a lot of the Federal Agencies learned how important that small business was to you. And actually they have been so great about working with my office to try to solve the problems of the small business community. And we've got some great people here today. I'm actually going to introduce them and maybe have them stand up and introduce what agency that they're with. Say a couple of words, that way you know who's here. Okay. I'll start here at the end.

MS. LYNDY DYER: My name is Lynda Dyer. I'm the Government liaison with the Internal Revenue Service and I represent the SBSE which is the small business self-employed division. And on the end here, she'll introduce herself as our Taxpayer Advocate. She's from our office. She's the advocate for any tax payers that have a case of specific issues. I will be here to record any issues that are not tax

[phonetic] specific and make sure that they move that to the proper people to review it.

MR. BARRERA: Let me go and have you introduce yourself with the Advocate's Office.

MS. KATHLEEN SWAIN: Hi, I'm Kathleen Swain and I'm with the Taxpayer Advocate Office. My boss is actually in Washington DC and so these young folks here in the middle [unintelligible] hanging around or they're going to have us to contend with. But our office actually deals with those occasional [unintelligible] which would be tax specific problems. So if your organization is facing tax specific problems, you can come to Taxpayer Advocate Office and we can help work through these problems [unintelligible]. But we also deal with both legislators [inaudible]. So we also make recommendations directly to Congress. We have two annual reports. They go directly to Congress where my boss makes recommendations on tax law changes and also regulatory changes [inaudible]. So we deal with a whole [unintelligible] if you will on tax problems. And you might have seen my boss before, Nina Olsen and she's a big proponent of the ANT [phonetic] but she wants to [unintelligible] so reducing tax [unintelligible] burden and upholding tax [inaudible] she feels strongly [unintelligible]. So thank you [unintelligible].

MR. BARRERA: And right next to you.

MR. JAY McCLAIN: Good morning. I'm Jay McClain. I'm representing the Department of Veteran Affairs. I work at National Acquisition Center here at Hines, Illinois. It's right outside of Chicago. And I'm here as the small business specialist and I'm here to listen to the concerns of you all and see what we can do to help alleviate and work problems out. That's part of my role as a small business specialist, as an advocate for a small business. That's what we intend to do.

MR. BARRERA: Thank you.

MS. DOMINIQUE SMITH: Good morning. My name is Dominique Smith. And I'm with the Department of Labor. The Office of Small Business Program in Washington DC. Our job is to support small businesses. We attend the Fair Reg. Hearing with Michael and [unintelligible]. It's not me. It is the next individual whose name is Mr. Thomas Pitts [phonetic] and he oversees all the compliance assistance issued. Whatever goes through SBA will definitely come back to us because we coordinate the comments. We see from SBA and we filter them down to our enforcement agencies. Of course you know there are so many but the main enforcement agencies are, the majority of them are, Wage and Hour, OSHA, Mines and Safety. And if you have any questions or comments we're here to answer them and to outreach and that's about it.

MR. BARRERA: Thank you.

MR. TOM GAUZA: Good morning. Thank you for referring to any of us here in the middle as young. My name is Tom Gauza. The Chicago District Director of the Wage and Hour Division. The Wage and Hour Division of the Department of Labor enforces the Fair Labor Standards Act which includes minimum wage, overtime, child labor rules. We also enforce the Family Medical Leave Act, Davis-Bacon Act, the Service Contract Act, the Human Trafficking laws as well as H1B Migratory and Agricultural rules and some other more arcane provisions. The Wage and Hour Division has 45 districts nationally, and the Chicago district of which I am part of has most of what is Northern Illinois, which has probably in excess of some 9 million constituents. So as a population base district we are among the largest in the nation. So. Glad to be here this morning and look forward to the discussion.

MR. BARRERA: Thank you. Appreciate. I do want to care to say a couple of things about some of the agencies here. Believe it or not when I first got there I got invited by the IRS to go and visit them at their corporate offices. And believe me, being a former small business owner myself, having the IRS invite you to their corporate office is not a thing that I was looking for. And I was there, I was there for a two hour meeting. And if someone had told me before I started that the IRS wants to see and talk to you for two hours, in DC, I would have left town. But you know it was a great meeting. Because I got a sense from them is that they really are committed to changing the way they do business. They realize that they've got to. It used to be when the IRS calls, they were right, no matter what. Now they're going to listen to you. And with Taxpayers Advocate Office they're not an enforcement office, they want to hear so they can take it to the enforcement people to make sure. They're almost like the Ombudsman for the IRS. And they're very, very helpful. The Department of Labor's been a good friend. They go to all, both Labor and IRS go to all our hearings, whether we have an issue about them or not. Because they want to hear what's going on. And I appreciate DA [phonetic] being here. Because they knew there were some issues coming up. So I do respect the fact that they come and we want to thank them for doing that.

Okay, now we're going to go and get started the PowerPoint presentation. It'll kind of give you a little more of an idea of what my office can do and what we may not be able to do but hope this will help. Okay, in it. We talk about you as small business owners. Anything that we do, anything that happens, you've got to have the leadership from the top. And our leader is the President. This President believes in small business. In fact if you listen to his State of the Union speeches in the last couple of years, he's mentioned small business no less than five or six times during his State of the Union

speeches. No President's ever done that. He believes in small business. He knows that it's needed to, for this country to be strong. And he's making things as easy as is possible to be a small business person. Cutting down the regulations. Opening up the federal contracting market. Making loans available for small business. And he's been a good leader for us in setting that tone of taking care of small business.

Now one of the things that the President did, first thing he did to help small business was hire a small business man to lead the SBA. What a concept. You know, Hector Barretto, and I've known him for years. But his father was the founder of the United States Hispanic Chambers of Commerce. Hector started, actually we both used to work for Miller Brewing Co. together, many years ago. He went off to California to open a securities practice. I, for some reason, went to law school. He's done better than I have in that respect. But he headed the Latin Business Association, an association of close to 600,000 small businesses. So he knows small business. He knows how to work with small business. He cares and is very passionate about small business.

Now for some reason he decided to hire me. But you know, I myself again, I've been through a small, my parents own restaurants. Anybody who's owned a restaurant knows that's one of the hardest business that you can. And the way I like to explain it, it's a business where you have to rely on unreliable people. Because it's funny and you'll learn this, and I don't know if we have any school representatives here. But one thing I learned about the small business a lot of times, a lot of people think you know, I like, for the restaurants. My mother makes great food. I have a lot of friends. I should open a restaurant. I'm ready. And those who know that's not the way a small business runs. You have to have so much more to that. But going through that experience and being a former lawyer, owned my own law practice, you got to come from the experience. You had to sign both sides of that check to know what it is to be a small business and to know what they're going through.

Here's how we can help. One thing we do is we try to get comments from small businesses across the country. That's how we learn from you about how the Federal Government's treating you. We conduct these hearings all over the country. In fact our office conducted about 45 of these over the last three years. We've been to over 40 States in the last three years. I tap everywhere from Portland Oregon to Portland Maine, Alaska to Southern Florida. We've been all over. It's been a great experience. And I've found that small businesses are such a passionate people. There are people that I'm so proud to be associated with because the struggles that you go through but the struggles are great to hear about but the successes that you achieve after those struggles, they're just amazing stories. The present ratings call it America's Last Cowboys. And in a way that really is

true because you have to get out there and take those risks and keep our economy going.

In order for us to help you get to be a small business, your comments have to be about a Federal regulation. If it's a State regulation or a city one, we don't really have the jurisdiction to be able to assist you. And it has to be an issue regarding a Federal compliance or enforcement action. Examples – repetitive audits or investigations, excessive or unfair fines or penalties, confusing paperwork. Now have you guys ever had to do confusing paperwork for the Government? I'm sure it's just easy for you. But, a lot of times we hear from the small business that's some of this is confusing and we've had agencies actually change the way they do that, do their paperwork. So the comments that you have today may affect the whole nation in the comments that you may have. Or threats or retaliation or unprofessional behavior by a Federal Representative. They have no right to do that to you. Whether they're right and you're wrong, they still need to treat you with respect and we need to hear about it if they don't.

We actually write end of report to Congress I'm going to show you something. We just came out with their annual report. And in this report we actually have, it's basically a report card of the Federal Agencies and how they treat you. You're going to see some examples of best practices here. And last year we got over 450 comments from businesses that represent several million businesses nationwide. And so your comments do make a difference and you'll be able to see some of the things that we do here. Actually if you go to our website, sba.gov/ombudsman and you'll be able to access the report on line or we can send you one if you like. It just came out. It's hot off the press. It's exciting reading about regulations.

Okay. What do you do? If you want to file a comment you've got to submit, you can file your comment online. This is the comment form. It really takes about five minutes to fill out. If you've got information to back up what your issue is, that's very, very helpful to us. Identify the agency that you have the concern with. You can file this confidentially if you like. But by filing it confidentially and not allowing us to give you name, can you hear me? I think this went off. I can still speak loud enough. If you give us your name, that's how, the name of your business, that's how that Federal Agency is going to be able to help you. If they don't know the name of your business or where you're from, they're not going to be able to really address your specific problem. But you have a right to file it confidentially and we'll take it as just a general comment and we will not reveal your name to them. That's your option.

How to file? Actually if you testify here today it's not a confidential comment because this is a public hearing. Just want to let you know that. If you're going to testify today it's not a confidential

filing. You can keep your comment to only the relevant Federal Agency on our office or you can just keep it just to our office. That's totally your decision. Helpful hints. Follow the written comment. Because if you testify here today we'll tape that, it's going to be recorded. But we have to take this recording and get it transcribed and sometimes you know, I know I tend to speak fast. I understand me. Not everybody else understands me, particularly when it's recorded. So we don't want to miss anything. So if you are going to testify today, if you can provide us with written testimony as soon as possible, once we get that written testimony we send it directly to the agencies. If we rely just on the oral testimony it's got to be transcribed. We've got to get that transcription back, and that can take anywhere from 30-45 days. So again it's your option. But the sooner we get the stuff written, in written form, the better it is for you.

And again when you testify or file something, tell us the results that you're seeking. Oh, this is important. Avoid sending us legal briefs or court papers because we will not read them, because we're not set up to be a law practice. That's if you have, if you're involved in litigation you should consult with your attorney before even testifying here today. As a former attorney, I know that if you testify you may be breaking attorney/client privilege, because only the client can actually break the attorney/client privilege. So be sure and talk with your attorneys before you testify if you're in litigation.

Okay. We do not have jurisdiction, the statutory jurisdiction to do this. We cannot change, stop or delay enforcement action. It has happened. But we don't have the right to tell that federation to stop doing what you're doing. They can still go forward. A lot of times they'll do it on their own because you have filed. But we do not have the legal authority to tell them to stop. We don't process comments involving again, they are not with federal agencies. We don't help secure Government contracts. But what we will do, if you're dealing with the Federal Government Agency on contracts and they are not treating you fairly, we can address that with them but we will not be your advocate for getting a contract and we don't provide legal advice or assistance. We also have a Regulatory Fairness Board. I'm actually going to introduce our RegFair member that's here today. That's Ed. I'm going to let you say your last name because I don't.

MR. EDWARD APRAHAMIAN: Aprahamian.

MR. BARRERA: Ed, why don't you kind of tell them how you got involved and what you've seen what the Ombudsman's Office has done.

MR. APRAHAMIAN: I've been involved as a Regulatory Fairness Board member for about a year and a half. I'm from Wisconsin. A small business owner and have been able to see through correspondence and hearings such as this that there are a lot of issues

that small businesses have with various Government agencies and they need somewhere to go to, somewhere to turn to, to have help in navigating the waters and from what I'm able to see from my time on the Board the National Ombudsman does a tremendous job of providing the lending in the ear to those who are having difficulty with some of the Federal Government agencies. And I'm happy to be involved.

MR. BARRERA: Thank you Ed. And there's the name of our RegFair members here locally. These are just some of the examples, some of the results. Small businesses you care about results. And these are some things we had been able to do for small businesses. [Unintelligible] a couple of them is that in the second one the IRS determined reasonable costs and abated penalties to a farming business for its failure to finally file their US tax returns. And actually in some of the cases IRS has refunded fines that they've actually imposed. And we have success stories from single Federal Agency.

Some useful websites: sba.gov. The Ombudsman, our office of Advocacy, our forms, business.gov. And if you want to get some of the compliance assistance that's available there's a website for that in our Illinois office. And that's just, we'll leave that up as far as you need assistance.

Now, we have a very special guest here today. And that is the Chairman of the Small Business Committee. Again I told you that a lot of things that we do in Washington DC is built on partnerships and working with different people. The SBA would not be able to do the things that we do without the leadership from the Small Business Committee and you have a tremendous asset here and a tremendous voice for small businesses. And that's our Chairman, the Honorable Donald Manzullo. Mr. Chairman.

[Applause]

MR. DONALD MANZULLO: You guys got to bring your oxygen masks to accommodate this. Good morning. I'm in the middle of and in between meetings for the most of the morning. And in the midst of all of it I've left by billfold back at the farm. And so, and I had to go back there. You've done that before Ekberg. The worse thing to do is you're ready to go to the airport, you're almost there and you have no identification on yourself.

Well first of all thank you for having this hearing here in Rockford. We've seen a market increase in activities going on in the small business world but unfortunately not all of them have been good. Let me share with you a deep concern. We had a hearing with the IRS. And Mark Everson is a super guy. He has a manufacturing background. He's Commissioner of the IRS. And somebody's all bent out of shape that there's not enough audits going on. And in the study that was done by the IRS, take copious notes you guys, because the IRS is screwing the little guys and I'm really upset about this. Big time. And the

midst of the 107,000 employees we asked Mark to come into our office in preparation for a hearing that we had. And I like Mark. He's a good man, he's honest. There seems to be some pressure coming. In Washington you ask yourself, what does that mean? I don't know. Except there seems to be pressure coming that there aren't enough audits going on in what the IRS calls enforcement. And it just so happens that that's, that the lack of enforcement is in, I suppose regard to people who file Schedule C's. And that just happens to be small business people. And I said, well the study that you did, and I don't know how much the study costs. The study that you did to show a lack of enforcement, centered on small business people. It's faulty. It's poor sampling. The thing doesn't make sense. And I said, what I'm most interested in knowing, now this has been thrown out by the IRS, is what seems to be the problem. Well the problem is that independent contractors aren't reporting their money, their income. That's the hidden economy. And the way to enforce this, now listen to this. Two of the ways that have been proposed to enforce this is that small business people are going to have to file a statement with the IRS every time an independent contractor does work at their place of business. Now my brother closed his restaurant December 31st and that meant that every time a white van was out there, to fix his HVAC system, to fix the signing, to do some tucking around the chimney of that 140 year old house. Every time someone came to fix the electrical or plumbing work, he would have to file a notice with the IRS. And I said that's, that's crap. I just can't describe it in any terms other than there are people that have nothing to do in Washington but to sit there and find ways to bring misery to the people, for I get passionate about being Chairman of the Small Business Committee and I hate the bureaucracy that continues in that town regardless of who sits in the White House. It's an entrenched bureaucracy that people have nothing more to do than to make life miserable for the ones that are running this economy.

And I said, well if you take a small businessman, just take my brother for example, something is always breaking at that place. It's just the way it is. Anytime somebody came out to do independent service, anytime your accountant would come out, he's an independent contractor, and you have to file a notice. And some other clown had even thought about, "Oh if you file a notice then why not make the small businessman withhold." If the bill's \$100 withhold 28 cents and then just send that money onto the Treasury. And the reason I'm raising this, is the fact, this is how mischief starts. And whenever we try to make the Government leaner, we come back or maybe stepping on some toes, we said well we don't have enough resources. That's good. Maybe if you lay off half the people you might eliminate half the mischief. And take some of the bureaus in Washington and put them on the same basis that our guys have to do just to stay afloat running the manufacturing facilities; with lean manufacturing, just in time, outsourcing locally and accountability. And in the hearing that we

held, Mark Everson said that he's not in favor of any notice that would have to be done by the small business people. And we did that just to put his personal thoughts because the idea was not originally with him. But he's only the Commissioner. And some clowns under him can start mischief. We saw that happen when the IRS was starting to require dentists in the State of Illinois to file their income tax based upon the accrual method as opposed to cash method. I mean that's ignorance gone to seed. Every time a dentist sends out a bill he has to report that as income, and we actually had a hearing on it. And Chairman Rossotti who was the IRS Commissioner at that time, and who is a systems man not a tax attorney, stepped in the middle when he said this is ridiculous. And he stopped the pilot program in Illinois that had been started even without his own knowledge. This is how mischief starts. And one of the reasons why the Ombudsman, the Regulatory Panel travels throughout the country is to try to anticipate at the earliest stages when they see evidence of this type of mischief taking place. And that's good. That's what's important about this hearing. I can't stay for the hearing. But you're going to hear some of the most extraordinary cases of abuse taking place by the Department of Justice. Or the family that's been singled out, Congress passed a law exempting small business people, if they fall within certain parameters, [unintelligible]. And notwithstanding that the continuous harassment from the Department of Justice continues unabated. And I just don't know what it is about people who accede to a position of authority that like to pounce upon small people and try to impose the letter of the law as opposed to the spirit. But it's these types of things that make people dissatisfied with Government. And I've seen time and time and time again where people will say, well you know, well you know that's the law. Well I'm in business to change the law. You're here to do the same thing when you see these horrible things that are taking place as a result of the clenched fist of the big Government coming down on little people.

I've spent now going on my fifth year as Chairman of the Small Business Committee. We've held over 60 hearings just even with the issue of Government impact on manufacturers. And it amazes me how the people in Washington, the policymakers, simply cannot grasp what is going on in the rest of America. People talk about sawing off California. And sending that out to sea. Washington should be sawed off. Let me explain to you why. The mentality that goes on there. The average price of a single family home is close to \$700,000. The immediate income of people living in the metropolitan Washington area is over \$100,000 a year. The inflation rate is five times the amount that it is here. Unemployment is 1%. The city does not under any circumstance evidence what is going on in the rest of America. And when areas like this suffer because of the lack of a manufacturing base, it doesn't mean anything unless you're somebody like me who's not afraid to call names, send out subpoenas and makes people

responsible for their actions. It is one of the most discouraging things to the little guys for them to have to be under Republican administration and yet see a lot of these things take place. The good news is that the Office of Management and Budget, under, it's an organization within it called OIRA, Office of Information and Regulatory Affairs. Dr. John Graham is from Harvard, one of the good guys from there. And he says his passion, the lessening of burdens to businesses and in fact he asked businesses to submit a list and came up with about 80 of the most aggrievous issues that are impacting businesses especially small businesses. And he's been working marvelously. And so you have people out there that are not institutionalized looking from the outside trying to figure out what's the best way to do it. I found with the Regulatory Panel that the fine group of people here that travel the country listening to people bellyache, are in the best positions because you guys have background in business. And you understand what's going on. And you have a voice. And that's what I enjoy about the Small Business Administration is because even if they decide to do something that the small businesses don't like, they hear within 24 hours, have a meeting and decide to go another way. And that's fine because of the input and the quality of the service that they provide to the country to the nation. SBA is the only agency in Washington I know of that's had about a 40% reduction in its budget in the past 10 years and has doubled its efficiency. Now you figure that out. I can't. They're running that thing as a very lean and mean machine because they, not mean, that's not the word. Very lean machine because they recognize that somebody has to set the standard in America, as to efficiency in businesses and why not the SBA. And so that's why it's always exciting to deal with people who really understand what's going on in business.

I've taken longer than I had on the introductory marks and I just, but I want to thank you for traveling throughout the country. I want to thank you for the marvelous work that you do. Looking forward again to the reports so we can sit down and figure out exactly where to go. And you got a new report here. Okay –

MR. BARRERA: [Interposing] I wanted to [unintelligible]. Rob's depressed about our report.

MR. MANZULLO: Great. Oh this is good. And then I'm talking also about the report on the hearings that are going on now. So thank you. To the little guys that are going to beat up a lot of people, including everybody here, is in there working very hard for you. We understand that. And we'll continue to do that. And as I said I've got to leave, I've got some other appointments for the rest of the week. But thank you so much for coming to Rockford. I want to thank all the witnesses for not only enduring the pain of the problems that are impacting you by the Government but taking the time out of your

busy schedule to come here and share these. Thank you.

MR. BARRERA: I want to thank the Chairman.

[Applause]

MR. MANZULLO: I'm going to get choked up. This is the, um, well you already did. When I was a Senator. Well there was a Senator that fell off in Florida, Paula Hawkins and she never recovered when she fell off a platform.

MRS. BRENDA FALCONER: Is that right?

MR. MANZULLO: Yeah so. Unless you want to be Senator, just move forward. Alright. When I was first elected there were a lot of people in this city that impacted my life especially manufacturing, several are here today including the Ekbergs. And Lloyd Falconer was one of those unique individuals who seemed to have an opinion on everything. But that's why he is a small businessman because he couldn't work for anybody. Right Brenda. And he said "Don if you don't have manufacturing, mining and agriculture, the nation becomes a third rate country". And I took that with me to Washington. And every once in a while I'd get an email from, not email, but he would call and say "Don, we got a new piece of machinery here. Stop by the shop, there's some exciting things going on." And he took long periods of time to explain to me how these machines operate. I visited over 300 factories around the world. Just four in the past week looking at new methods of manufacturing and as a result of the time that Lloyd spent with me and others here in Rockford, I was put on the front page of manufacturing magazine with a caricature. And they called me Mr. Manufacturing in Congress. And I wear that with honor. Because we stepped into a breach that nobody else was covering but it's because of the people here to whom manufacturing is so important that have given me the ability to accumulate that with both the knowledge. I just saw an exciting new brooch machine but I can talk to you about that later as to what this thing is doing. And Lloyd became quite ill about a year and a half ago, with a disease that produced too much iron within his blood. Struggled ferociously and left us the, was it Election Day Brenda? Left us on Election Day. But of course he had voted absentee. And at the memorial service I said, you know the reason he left, was it about one o'clock in the morning?

MRS. FALCONER: Two.

MR. MANZULLO: Two o'clock in the morning on Election Day. He was so excited to see who was going to win the Presidential race that he just couldn't wait one more day for the results. He wanted to have the inside knowledge. His beautiful bride Brenda has been a tremendous inspiration to us here in Rockford and with Lloyd having served on this particular Regulatory Board, the USBA has this plaque, it says "US Small Business Administration, in recognition of his

untiring service to small business.”

MR. BARRERA: I can speak from here.

MR. MANZULLO: Do you want to do that? I don’t think I can make it through.

MR. BARRERA: That’s okay. I just want to follow up with the Chairman. The Chairman actually recommended Lloyd to our Regulatory Fairness Board. And Lloyd, myself, you know, as I like to say as a young man, that you always need those mentors. And Lloyd Falconer was truly a mentor to me and to small business people in general. And we miss him. But he was so great to this Board and he’s helped take us to a new level and we want to thank him and his lovely wife and his child for being here and we want to thank you for sharing Lloyd with us when he was here. Thank you. I’ll read what it says.

MR. MANZULLO: This is where it broke up.

MR. BARRERA: “Lloyd Falconer is remembered affectionately by all who had the privilege to know and work with him. Special appreciation is extended to his devoted family who share this wonderful man with us. Presented by the Office of the National Ombudsman.” Thank you.

[Applause]

MRS. FALCONER: I just want to say that on this 44th anniversary of our marriage you know my husband, I mean June 3rd, the day, he would have been here. Not off somewhere at a resort or whatever. He would have felt loved being here more than going away and celebrating. We would have gone for dinner but he would have been here today. And that was his joy. He always said yes. He never said no to anyone and he enjoyed it; his family, his church, his community, his [unintelligible], and always his friends. So thank you, on behalf of my family, my daughter. My daughter Sarah Luna is here today. She’s involved in our business [unintelligible]. Thank you.

MR. BARRERA: Thank you. I want to thank the Chairman for coming today. He’s been so involved in what we’re doing and we want to again thank him for all that he’s done for small business.

[Applause]

MR. BARRERA: Now it’s kind of hard to follow this but I guess business is at hand. So what we’re going to do here, we’re going to actually start hearing testimony. And the way we’re going to do this is that at 10:30 we actually have a couple of people calling in. We’re going to be getting hi-tech here. And we’re going to have someone calling at 10:30 and someone calling at 10:40. So we’re going to hear some testimony, but we will have to break it off a little before 10:30, let them talk and then we’ll restart. Couple of things we’ll have you do. We’re going to have you come up and testify live. And we’re

going to ask you to keep your testimony to five minutes. Because we have a lot of people want to testify here today. So try to be very, very cognizant of that. I will cut you off if it's going too long. Try to keep to the five minutes. A couple of hints. You may not want to go into a deep history of your business and get straight to the issue that you have with the agency that you have it with. The actions that they're taking against you and the actions you'd like to see resolved. That will kind of help you keep focused. And again, I'll the names up. You'll testify. Again we have some Federal Agencies here that want to hear what you've got to say. And we'll kind of keep it rolling. We may have some questions for you after you testify but we want to hear from everybody that we can but again we want to keep the hearing moving so everybody gets their chance. First one we'll have testified is Harold Jackson. And Mr. Jackson, while he goes up there, actually flew in here from Denver, Colorado to testify here today. So we appreciate him coming. Mr. Jackson.

MR. HAROLD L. JACKSON: Thank you. I appreciate the opportunity to address this hearing. My name is Harold Jackson and I'm the President of Buffalo Supply. We are a woman-owned small business and we're a medical supply company. We've had an issue with the Department of Veteran Affairs, particularly the Office of Inspector General. They came up with a recommendation to the secretary that it would be in the best interest of the Government for VA to cease contracting with distributors. And that was entered into a Bill before Congress and thankfully the Honorable Donald Manzullo was able to remove the language from the Bill before it moved forward and wrote VA a letter telling them that this was an unwise practice. In addition to that, the House Government Reform Committee has told him that, that's just an unwise practice and in fact the General Services Administration, Federal Supply policy people who write the policies for the Federal Supply Program told him that their policy did not comply with the regulations. And I was very outspoken on that subject every time getting an opportunity. So now I want to briefly review the events that have happened to me as a result of VA trying to implement this unwise policy.

In 2000 I submitted an offer for a Federal Supply contract on medical items to the VA National Acquisition Center and I worked with our Contracting Officer to provide the necessary documentation. And I had a meeting, Dr. Jackson, the owner of our company and I had a meeting with our Contracting Officer and the Assistant FSS Director, at which time they said that they are determined that our offer was fair and reasonable and that it was in the best interest of the Government to issue a contract to my company. But when you're negotiating for a major contract, those are the words you're looking to hear. That it's fair and reasonable and in the best interest of the Government. He said it would take him about 30-60 days to finalize the paperwork and so 60

days later I called him and he says, "It is etched in stone, you're going to get your contract but I don't have everything done yet." Okay. So the next day he calls me back and says that the Office of Inspector General has overridden his decision and will only let them proceed if we agreed not only to let the Office of Inspector General do a pre-award audit of my company, but also of my suppliers, which is a somewhat unprecedented request. They proceeded to do the audit and even though I was constantly pushing them to move it forward, they spent nine months doing this audit and reviewing a huge volume of data. And at the end they announced that they had completed the report and it's customary to share these audit reports with the contractor because it's a basis of negotiations. They've reviewed the data so you can have a discussion. And both the VAIG and the VANAC [phonetic] refused to give me a copy of the audit report on my company. So I filed a Freedom of Information Act request and they denied my Freedom of Information Act request. I protest their denial of my FOIA and finally, four months later, I get a copy of the audit report which was little more than a dissertation on why the VA shouldn't contract with distributors. It had very little meat in it that pertained to my company. So clearly I understand why they didn't want to share a copy of it with me.

So anyway we're still going through negotiations and I go to the National Acquisition Center quote "to finalize negotiations" and I'm very surprised when I walk in, which historically I would meet with my Contracting Officer and perhaps his supervisor, to find that we have the Contracting Officer, we have the Assistant FSS Director, we have the General Counsel for the NAC, we have the auditor from the IG's office, we have the Director of Audits from the IG's office and we have Mr. Bilobram [phonetic] who had testified before Congress in support of the anti-distributor position. So it was clear that this was a highly, emotionally charged meeting. And the end result was, is they said "We're not going to give you a contract." And so I filed a bid protest with the General Accounting Office and on the last day that the Government had to respond, the VA notified the General Accounting Office that they had reconsidered their position and that they would reopen negotiations with Buffalo Supply. But they told me we can only reopen negotiations with you because the IG thinks that they need to do a second pre-award audit, on both you and your suppliers because "the data is stale". Well yeah, it was stale. They hid it from me. But anyway that's another story. So they spend another nine months doing the second audit and then they issue an audit report at that time which once again was a dissertation on why it's in the best interest of the Government not to contract with distributors. It had very little meat in it that pertain to my company. Net result was the VA National Acquisition Center issued us a five year Federal Supply schedule on December 1st 2003 over the objections of the Office of Inspector General. At this point in time from when the day I filed the original

request for a contract until December 1 '03 when it was awarded, we spent 44 months, I spent a half a million dollars in legal expenses and travel expenses to get this contract. Now we jump forward to April, a couple of months ago, and I get a post-award audit notice that the Office of Inspector General needs to do a post-award to verify that the information that I supplied in my proposal was accurate. Now they've already looked at it twice. And didn't find anything wrong. My Contracting Officer has never suggested to me that my prices are not fair and reasonable. And in fact we are used to competing against large businesses and we're used to winning. And you don't do that if your prices aren't fair and reasonable and you don't bring value to the process.

We truly are an American success story. We started in my sister-in-law's garage, 23 years ago. I joined the company 15 years ago when we did \$1 million in sales. And this year we will do \$40 million in sales. But I need the IG off my back. They're doing, and this is the personal opinion, but all of the management has changed at VA since my award. Everybody from the FSS Director, the Executive Director of the National Acquisitions Center, the Assistance Deputy Secretary for Acquisition, and including the Secretary are all gone. And it is my firm belief that the purpose of this audit is so that they can go back to a new audience and try to push their anti-distributor, anti-small business position. And Donald Manzullo was kind enough to write a letter to the Secretary in 2002 when they removed the objectionable language from [unintelligible] 36, 45. And he warned that constituencies were concerned that they might try implementing this unwise policy through their own methods and I submit that that's exactly what they've done. And a small business should not be put through this continual harassment. We've won virtually every major award that we've gone into open competition with. We were just recently awarded an \$8.3 million order from the army to replace all the hospital beds in Iraq. This was an open competition going against large companies. If my prices weren't fair and reasonable, I wouldn't have won the competition and we wouldn't have brought value to the Government. There have been –

MR. BARRERA: [Interposing] Sir, we've got to kind of starting getting it wrapped up.

MR. JACKSON: Okay. So my only, my conclusion is that I would appreciate any assistance that you could do in getting the VAIG off our back and letting us continue to be the American success story that we have been.

MR. BARRERA: Thank you.

MR. JACKSON: Thank you.

MR. BARRERA: We're going to hear some comments from the agencies at the end. What we'll do is, we'll send this comment

through, get us a written comment that would be helpful. I know you got some packets we'll be able to send them to the IG's office immediately upon our return to find out what's going on. And again the Chairman himself wants a report on this hearing. We'll give him a summary of what's been said.

MR. JACKSON: Thank you.

MR. BARRERA: Thank you. And again thank you for coming, from Colorado. Appreciate that. Next we have John Ekberg. Circle Boring.

MR. JOHN EKBERG: Good morning. My name is John Ekberg. My father Glen Ekberg is here. We have a machine shop and some other related businesses in the Rockford area, employing roughly 40 people. The problem we've been having is with the United States EPA as well as the Department of Justice. And that has directly impacted the company. But, basically I'll just read through some things. They are suing my father Glen Ekberg, it was filed in December of '01 in the Northern District of Illinois, Case No. 0150457, claiming Glen Ekberg is liable under Circla [phonetic] to the possible extent of \$3 million for clean up in Area 7, South East Rockford area. Just a brief chronology. In the 1950's to early 60's Rota Router [phonetic] did dump industrial chemicals on this former owner George Johnson's farm. My father Glen Ekberg bought it in 1964, unaware, completely unaware of its prior history. In the 1990's wells in South East Rockford showed pollution levels of 91, test wells drilled by the EPA showed pollution. In '94 we had a federal deposition of a Rota Router employee, Shorey [phonetic] Thompson, and he actually named Rota Router as the polluters that were on that farm. So we thought the case was closed. In December of '01 they filed a law suit against Glen Ekberg. And in January of '02 Brownfield's [phonetic] Remediation Act through uh, Mr. Manzullo's helping us, was passed saying that it gives exemptions from liability for innocent landowners.

There are some injustices we'd just like to annunciate quickly. Glen Ekberg is being sued for pollution he did not create. The actual polluter has been identified. And then, number two, he was unaware, completely unaware of the property's history in that regard. He exercised due diligence according to expert testimony, realtor testimony, to look at the property with the normal inspection in 1964. Glen Ekberg's been a good caretaker of the land he's farmed. He's kept people from trespassing and he's managed it responsibly for the future residential and commercial development that he has hoped to do. Innocent landowners are exempt. You know, '02, The Brownfield's Remediation Act was signed into law. It codified protection to innocent landowners from litigation. Unfortunately the EPA filed the case just before it went into effect. They have on many occasions said we know Glen Ekberg was not responsible for dumping pollution but

under law we have the power to do that.

What's really scary is the EPA legal staff has immense resources to wage a protracted battle. They're usually successful in forcing settlements out of defendants, innocent or not who are unable to pay the crushing legal expenses. My father Glen has run over \$200,000 in actual legal bills just trying to protect his name, and over 8,000 hours of personal time fighting this. What we are trying to do is to immediately halt this lawsuit. We hope to have these legal bills refunded by the EPA and as was mentioned earlier in President Bush's, we trying to eliminate junk lawsuits. We cannot think of a more junk lawsuit than what's going on here for the last 10 years. That's essentially it.

MR. BARRERA: I'll just say a couple of comments. One of the first times I came to Rockford when I first started, I met Mr. Ekberg, actually at Mr. Churmazu's [phonetic], his brother's restaurant. And I know he's talked about this story. It's gone on and one of the first things when I first got started was these type of clean up things with the EPA. And it's unfortunate timing, I know they keep fighting and the stories we still need to hear. And the stories, that, you know, these agencies are not necessarily in it still need to hear the stories about other agencies because we all appreciate what you're going through. And I do appreciate your testifying here today. Mr. Ekberg, it's always a pleasure to see you.

MR. EKBERG: Just as a comment. Over the last 14 years when we first started getting involved in it, it's been almost a 24 hour a day. You wake up at night and you think well what is the EPA up to now. Where does it set? I can't think of any vacation, even just a week vacation, over the past 14 years that hasn't been interrupted either at the beginning or at the end or in the middle with something involved, the problem that has come. And it's just being an innocent landowner; we have to prove that you're innocent. It's not too hard sometimes to prove you're not guilty. But it's very difficult to prove that you're innocent. And that seems to be where the, there's always a way you can't prove that you're innocent. And this seems to be going on and on and it just, there's no end to it. Two different times they've been into our business at Circle Boring and asked for all the records of all the former employees, customers, and to try to come up with all this information. Just volumes and volumes and years of information we had to collect to show them that we just could not pay this kind of fee. And we would just love to see it, gets dropped and paid for some of the budgets that we've, you know.

MR. BARRERA: Thank you sir. Appreciate that. We have Dick Merritt.

MR. DICK MERRITT: Morning. I'm Dick Merritt. I'm owned of Sterling Ford Lincoln Mercury, small Ford dealership in

Sterling, Illinois about an hour south-west of here. My problem is with the IRS. They have a Section, and I'll just say it, 4051 that imposes an excise tax of 12% on over-the-road tractors, those are the big trucks you see on the road with the big huge trailers and delivers things to Walmart and things, okay. We don't sell those. We're not licensed to. I sell little trucks, cars, Lincolns, Mercurys things like that. About three years ago a customer of our came in and said that he was going to retire and he was going to buy a fifth wheel trailer, trail around the country with his wife, and he had done his homework and there was a body company in Indiana that would put a little box on the back of what we call a two ton truck which is just a little bit bigger than a, it's basically a Ford F150 but it can hold a little bit, pull a little bit more. And he had done his homework and this company in Indiana could match the Ford colors to the little box that he could back up under his trailer and go off to Wisconsin with his wife. So we negotiated. We dropped shipped the chassis, you know, with nothing on the back of it to this body company in Indiana. They put the little box on the back. They delivered it to us. He's off and running. And the colors match his trailer and everything. We're happiest, everybody's happy okay.

About October this year the IRS walks in and says "We'd like to see the record of this truck you sold back three years ago." I said fine. And they said, "Well we're saying that this is a tractor, this is an over-the-road vehicle. And you owe us \$6700 for the 12% excise tax." And I said, "What are you talking about?" They said well you know, I can get into GVW's and stuff, but the law says that this doesn't apply to vehicles with less than 33,000 lb GVW. Our vehicle is 17,500 GVW, about half.

MR. BARRERA: [Interposing] What's does GVW so –

MR. MERRITT: - It's Gross Vehicle Weight. So it's like half of what even, you know, this should be. But he says, well you know and all this stuff, the guy put in a heavy-duty brake package. I said well yes, he's got an electric brake so when he brakes it goes to the trailer and back. I don't know if you've seen those ads, so that will brake too. And he's an older gentleman, he's retired, he said "I want all the toys and whistles." Alright. So they're hanging their hat on saying that because this truck has this more braking power than normal, that it's considered a tractor. That it could be used for over-the-road commerce. And they just, they just won't get off of this subject. And I said, well wait a second. How did you get all this information? Oh, we went into the body company in Indiana and did an audit and got every owner in the United States and we're going back to the dealers. I said, "You're not going to the owners." "Oh, no, no, no, no. We're going to the dealers." Now \$6,700 doesn't sound like a lot of money, but to a small businessman like me it is. I mean we don't make that much profit on a vehicle like that. So. National Autodealer Association has been taking this up too in Washington, and they haven't gotten too far.

They said, "You know, when they rewrote this law they just forget to put the words personal use." Put personal use in there which, you know, this retired gentleman is, we wouldn't be having this problem. So, that's not in there. And I keep saying and as a fact just of last week the gentleman was in and he may have 7,000 miles on the thing in three years. All he's been doing is pulling his tractor up to Wisconsin and parking it on the lake and driving it around a little bit with his wife and enjoying his retirement. And I've been telling him that, I've been giving him all this stuff and they just keep saying, "No, this one's [unintelligible] because it's got some heavy-duty brakes on it. You owe us \$6,700." That's about it.

MR. BARRERA: These stories, they can be frustrating. A couple of things. If you wouldn't mind. If you're working with your Trade Association, the Autodealers, if you wouldn't mind letting them know about this office because a lot of them don't know.

MR. MERRITT: Okay.

MR. BARRERA: And if you can get other individuals to start sending these comments in. We found that that does, and IRS, they're here and they will listen to this but I found that when the Trade Association, their members actually start sending in a bunch of comments in, it does make a difference.

MR. MERRITT: Okay.

MR. BARRERA: We had a pharmaceutical situation last year where we had over 150 pharmacies send in comments. It changed the way that was happening because there's strength in numbers. So if you want to get us the information on the Autodealers, we'll contact them. But it always makes a big difference if the actual individual, like yourself, is working with that Trade Association and we get the word out there is office available to help in these things that can make a big difference.

MR. MERRITT: Okay. It seems like, because I asked the guy in the IRS office in [unintelligible] and he says "Well there are two of you in my district." And I said well there's got to be some dealer that has a bunch of them. He said, "Well we really haven't gone after those big dealers yet." So they're picking the low hanging fruit. One of them, somebody in the office even said, "Well you could hire a tax attorney, but it'll cost you more than the \$6,700 bucks." I thought. Okay. Thank you.

MR. BARRERA: Please, let us help you do it. Again, if you could get us those comments and if you got it written, that's a lot more helpful, we'll get that as soon as we get back.

MR. MERRITT: Okay. Thank you.

MR. BARRERA: Sir, I do appreciate you coming. We're

moving along pretty good here. We've got some we're going to read, then we're going to let, I know people here have got to get back to their business, so I'm going to let some other folks go to testify. We have R. Summers. Tony Lamia. Tony Lamia, I'm sorry.

MR. TONY LAMIA: My name is Tony Lamia and I'm a small business owner and I've been in business since 1981 so I've beat all the odds. I'm also an attorney, in a real estate broker and adjunct teacher here in at Rock Valley College. I teach payroll accounting. So I do understand the rules and in fact try to comply with them in every way possible. However I have found that the more you try to comply the more you get audited the worse problems you have. I want to mention first about the importance of small business. I know that you folks know this but I want to say it anyway; small businesses which employ fewer than 500 encompass 98% of all the businesses in the United States. Employ 60% of the US workforce. Contribute 40% to the Gross National Product and from 1988 to 1990 businesses with fewer than 75 employees created 4.1 million new jobs more than offsetting losses in big business employment. That's how important it is. However, unfortunately 60% of small business fails by their sixth year and less than 3% make it to their 20th anniversary. Therefore in the United States small businesses is effectively doomed to fail. And I would like to see some changes made in the hopes of stopping that from happening.

Now Government always blames the small business owner for the failure. We don't know how to manage our business. We don't know what we're doing. That's the Government's answer that I see. I've seen reports on that. Okay. Well I'm a small business owner. I blame the Government. Now I realize that it's a combination of the two. But what Government ought not to be doing is having rules that definitely will sink a small business. I'll give you an example. In the construction business that I'm in, if I hire a sub-contractor who works for other people and only wants to come to work with me for one day, and he works on my crew with my other guys, then according to the insurance requirements, unemployment and all the other rules that there are withholding and so forth, he's my employee, whether he wants to be my employee or not. Now companies that don't have their own employees and only hire outside contractors they don't have workers comp and unemployment comp. And they don't get audited. They're outside. They're under the radar. And they can have rates much lower than mine and I lose my clients because of it. In fact did lose my biggest client this last year because of it. I calculated, it costs \$7 per hour for payroll, taxes, unemployment comp and works comp, cost me \$7 per man hour that I have to charge more than my competitor which cost me my business. So I'm saying, at a minimum for employers of less than 25, there should be some changes made. And I have a list of these proposals that I would like to submit for your consideration. I'm

not going to go through them because I don't have the time. But suffice to say that I am seeking either outright exemptions from withholding and Wage and Hour rules if that's possible, or at least limitations if the exemptions are not possible. Just for an example say \$8 per 100 in workers comp, regardless of claims. Or 4% on unemployment comp regardless of claims. Very quickly I want to say this. If you've got four employees and one person becomes unemployed that's 25% of your workforce, you're immediately at the high rate. The 9.8% now in Illinois. If you've got 100 employees are you going to have 25% of your workforce go unemployed all at once? No. You see the numbers, the math, it's the same with a comp, work comp claim. You have one workers comp claim and you're sunk for three years. My rate doubled because of one claim made by one employee. And that claim was fraudulent. The man hurt his knee while water-skiing in Florida. Came to work, at the end of his vacation and immediately claimed he slipped off the kerb, boom, work comp claim, and I had to pay thousands and thousands of dollars because of it.

So, I'm begging you. We need help. I would like to submit my little request list and wish list and hope that you will give them consideration. Thanks for listening.

MR. BARRERA: We appreciate that. What we can do is when we get the list we'll send it to the appropriate agencies. I also want to make a, you talk about work comp and that's a State issue as a Federal Agency because every State has their different rules for work comp. But I do want to say we do have some here from the State and we have Nicole Hanrahan. Okay, Nicole, you want to stand up.

MR. LAMIA: Oh good.

MR. BARRERA: And she's basically almost like your State Ombudsman for lack of a better title. If you want to say a couple of words.

MS. NICOLE HANRAHAN: Sure thank you. I'm Nicole Hanrahan. I'm the Executive Director of the Governor's initiative of regulatory reform. And essentially what I'm trying to do is, I was hoping to talk to a couple of you individually afterwards, trying to find out if you have any [unintelligible]. In particular I'm looking at trying to make [unintelligible] more efficient and trying to review the paperwork, particularly for small business. So please come by and see me afterwards. Thank you.

MR. LAMIA: I'd be delighted. And the FUDA [phonetic] is from the Fed, the Fed says it's 5.6% FUDA but we'll give you a credit when you pay the State. So the Fed is involved.

MR. BARRERA: I'd just make a point again. I'd be very interested in seeing some of your comments Tom, because as I said earlier, I mean, you know our job is to champion and to advocate,

reducing and minimizing the regulations the way we can. Because as we've all said, and you're definitely very aware of, the small business is what fuels the economy and we have to continue making small businesses much, much more competitive so they can maintain or sustain ability and a large part of it is reducing the overall cost of the burden to small businesses. The other thing I wanted to point out, you talked about businesses of certain size and all that. Over the last few years we were looking at changing the size standards for small businesses and a lot of the Government contracting impacts it and other things it impacts, and we're going to have a series of hearings on the size standards, getting input from different businesses there. So I definitely wanted to make that point, to make everyone here aware of that.

Okay, great, I was just told that on June 21st in Chicago we're going to have the hearing on size standards so please contact Judith on that and her office can give you more information. It's the 20th and 21st and it's important that you look at the size standards and Steve will tell you that it affects a lot of things because a lot of States look at what size standards that are set for small business and follow those size standards. When you want to get a loan. There are a lot of things, you got to, to be a small business, so these things are very, very important. If you go to the SBA website, sba.gov you can get a list of all the hearings about these size standards. This is very, very important. We just did one in St. Louis, we're going across the country to do these. And they can affect your business and even though generally it's under 500 people for a small business, it really goes by industry. So you'll find if your industry's going to be impacted by this, by some of the size standards that we're considering in place. And the reason we're considering it, is trying to make it easier to figure out if you are a small business or not. So I'll just lie that out there for you. We're going to have a call coming in, but I think I got a couple of minutes to read one comment into the record:

"In April 2000 I purchased from a gentleman who had a history of non-compliance about regulations in his business. When I acquired the firm it was undergoing an administrative process for violation of FAA regs in particular not having a compliant drug and alcohol testing program. Since my acquisition of the company we have worked hard to comply with all the regulations in our industry. We've done quite well in that regard. This particular issue is a matter of level [phonetic] proof that we must require when hiring a sub-contract to perform maintenance. When we received their bid it was with the written understanding that they would comply with all the regs. They violated the regs and did not inform us. We are being targeted for their purposeful flaunting of the regs. We are a 135 operator and by choice a 141 flight station and had a 145 repair station. We work hard each day to perform to the highest level of professionalism and I feel that we are

being treated unfairly entirely due to the past actions of the former owner of this small business.”

They basically want us to look into their company called Tri-State Arrow and they are out of Iowa. So we’re going to take their issue back and see what we can, actually the planes in Illinois and we’re going to take their issue back and give more information for them and send this to the FAA. And I think we’re about ready for the call. Okay. We might have time to read another testimony while you’re doing it. We got another testimony, from, Ed’s going to read it into the record also.

MR. APRAHAMIAN: This is from a small trucking, a woman owns a small trucking firm in Wisconsin. She’s asked that we not use her name [unintelligible]:

“I’m a single mother who raised three children now grown alone for 18 years and have always worked on commission or on my own to allow time to raise them. I’ve never asked for or taken help from the Government to do this and all three children attended college and are on their own. I’ve always paid my taxes and have only a small pension generated in the past three years for my retirement. I am 60 years old, paying for a small home and really enjoy my work. I will be happy to provide you with any documentation you may require. My business was approved for DB certification on November 12th 2004. 80-90% of the revenue of my business is returned to trucking companies with whom I sub-contract. This has been going on since August and has created a great hardship on my small business as well as on myself personally. Every time I exercise my rights to have an attorney represent my interest they demand other returns, meetings, demanding my presence. I feel my rights as a tax payer are being violated and that this audit has escalated into harassment.”

Now this is directed to the IRS. Here’s a little more of her facts:

“The auditors, two different trainees, refused to communicate with my attorney without my presence and refused our repeated requests to provide a list of potential adjustments for the 2002 11/20 until we voluntarily provided my 10/40 returns for 2002 and 2003 and my 11/20 for 2003. After receipt of our letter advising me to pursue all legal options and with the concurrence of my attorney, I hired an attorney who specializes in tax matters. He is also CPA with 17 years experience working with for the IRS. He immediately made my right to legal representation clear to the audit agent which my attorney had been attempting to do for the previous four months. The problem is that he charges \$295 per hour. Thus far my bill is \$13,812 of which I still owe \$6,758. To date that \$13,812 has accomplished the following: The IRS has had three meetings and numerous communications with this attorney of which at least 30% were repetitive and unnecessary because the agent was a trainee and could not make a decision on her own. One

meeting was repeated because her supervisor had to attend. The result of these meetings and communications of the above mentioned cost is, number one, 2,210.40 EBA originally assessed on 12/13/04 for \$120,528 was issued a no change report on 2/14/05.” Okay.

The gist is that she’s have a great deal of difficulty with the IRS and I will provide the remaining testimony to you for your consideration.

MR. BARRERA: Thank you. We’re going to have, now we’re going to have Mary Schaim. And Mary, are you there? Marge, Marge, sorry. Marge, we have Marge Schaim testifying by phone. We’ll try to put the mike close to the speaker. You may not hear it. If not I’ll kind of summarize what she’s saying for you. And she’s with AAAA International Driving School. Marge goes head.

MS. MARGE SCHAIM: Okay. This is Marge Schaim. AAAA International Driving School. I believe that since we [unintelligible] the Wage and Hour division of the Department of Labor has been harassing my company for the last six months. Our company received written permission [unintelligible] from Mr. McGlynn [phonetic] of the Wage and Hour division to use the compensation system that we agreed with him last year. We have the written permission on file. Now [unintelligible] is sending us the following messages. We have voluntarily changed our [unintelligible] for compensation since receiving guidelines. What I protest is being punished for following the directions through [unintelligible] of the Wages and Hour division. I believe that it is the objective of Government to be fair and not punish small businesses for following directions given by Government officials. I took the part of the words of President Bush’s 2005 State of the Union address when he says “To make our economy stronger and more competitive we must not punish the efforts and dreams of entrepreneurs. Small business is the path of advancement, especially for women, so we must free small business from needless regulation and protect honest job-creators from needless lawsuits”. [Unintelligible] the lawsuits. We have already brought up significant legal bills in trying to [unintelligible] for this assessment. We feel that it is totally unjust to assess us for what was previously accrued for our company. Will you please help us? The settlement is for \$30,420. [Unintelligible]. But that doesn’t make it right. We are a small business that teaches [unintelligible] where there is only a small profit margin. We do not pay an assessor. We have been doing what we were told by Mr. McGlynn. We appreciate any help you can give us to resolve this problem. Directions by Mr. McGlynn in his own handwriting which were also typed may [unintelligible] at the Washington Office of the small business –

MR. BARRERA: Marge, I really do appreciate that and I tell you, well we actually have someone here from Wages and Hour and they’ve heard this and they will be able to take this back directly. 28

And it's been my experience with Wages and Hour they have been very cooperative in listening to these things and so what we will do is that we will take that back for you and you should be hearing from us very, very soon. This is the type of thing we do want to hear about. It's about getting inconsistent, what you feel is inconsistent direction and it's very difficult and very frustrating and we will get that information back to you. We actually have someone from Wages and Hour that's going to say a couple of things.

MR. GAUZA: I have question. Which office is she dealing with because it's not ours?

MR. BARRERA: The question was, what office are you dealing with? He said it didn't sound like it was theirs.

MS. SCHAIM: It's Wage and Hour Division, that's supervised in Cincinnati, Ohio.

MR. BARRERA: Okay. Cincinnati, Ohio.

MR. GAUZA: Thank you.

MR. BARRERA: Okay. He wanted to know. He's actually out of Illinois office. But, no we'll get that, that's right. I'm so glad that you testified today. We can take it to the National Office and [unintelligible] that will help us here. Okay.

MS. SCHAIM: Okay. Thank you.

MR. BARRERA: I do appreciate you taking the time to do this. It's very important for us to hear from you and you will be hearing back from us.

MS. SCHAIM: Okay. Thank you very much.

MR. BARRERA: Thank you for calling in. Thank you.

MS. SCHAIM: Bye bye.

MR. BARRERA: We have the next one at twenty to. In fact Ed, you got some more on your letter you want to go and finish reading. That'll be perfect.

MR. APRAHAMIAN: Okay. Let's see:

"I agreed on the final assessment of \$3,103 after the agent refused to accept my bank statement for a direct charge from Office Depot for \$1,040. She said she would disallow this item unless I provided the original receipt which I finally obtained from the Office Depot home office. This on combined returns with the gross will be \$137,000. When I realized my cost to prove this item was \$230 on an item taxed at 15% corporate of \$156 I just gave up. If it is the IRS's goal to put small business people out of business they've surely accomplished that goal in my case. This audit procedure has depleted all of my time as well as resources and prevented me from pursuing my

[unintelligible] business. At this point I am left with only enough resources to live through April 2005 and an attorney bill for \$6,758 which I do not know how I will pay it. I've been forced to dissolve the corporation and restructure as an LLC [phonetic]. At this point I can't even afford an attorney and the 2003 10/40 and 11/20 audits have not yet begun. Therefore I have a possible resolution other than just ignoring the corporate assessments as the attorney has suggested since the corporation has no assets and as of 1/1/05 I was \$1,000 in the red. I provided my 2003 10/40 and 11/20 and calculated my 2004 10/40 and 11/20. I urge you to have the higher level representative you referred to in your letter contact me with the authority to execute and offer a compromise. I would suggest to that person that we look at all three years and come to an agreement that will not put me permanently out of business, deplete the few personal assets I have and treat my obligations in a responsible manner that will not affect the good credit and business reputation I have worked for for over 30 years to achieve. I urge you to make this request a high priority and stress the immediate need for resolution."

MR. BARRERA: Thank you Ed. We got the next one here in a couple of minutes. So if you want to relax so we will get started when the next one calls in.

MS. SHIRLEY CONRADY: Hello.

MR. BARRERA: Yes

MS. CONRADY: This is Shirley Conrady.

MR. BARRERA: Perfect timing. Shirley you're on.

MS. CONRADY: Okay.

MR. BARRERA: This is Mike Barrera the National Ombudsman. You've got an audience here with various Federal Agencies, and we have our Chief of Staff from the SBA here also. Chairman Manzullo was here earlier and he had to head on back to Washington, to take small businesses nationwide. But we do want to hear your comments here today.

MS. CONRADY: Alright. Thank you. My name is Shirley Conrady and I own Conrady's Upholstery Shop in Beach City, Ohio. I want to thank you for taking the time to hear me. I believe it was last June when I first got a visit from Charles Rose [phonetic] that representative from the US Army Corp of Engineers and his two associates. They informed me that my barn was in the flood plain and that I had to have it removed within 60 days. I asked how after 42 years this was the first time I heard about a flood plain. I've lived on this property for 30 years and I have never had water in my barn or on my property. He said it didn't matter and it still had to come down. I reupholster for a business. I have a barn that's 24 x 24, the [unintelligible] building and I need the barn for winter storing. I

have clients that winter in Florida and I take up their furniture and store it in my barn and do their job when it comes up on my calendar. I told him that I had just put new floors in the barn and put new lofts in the barn. And he said he was sorry but it had to come down. I told him he was putting me out of business and I can't make it without my winter work. I have one acre here and my barn sits in the back of the property. And there are no animals and there's no-one that lives back there. There is probably several miles before there's even another home. I told him that I was a single parent of a 40 year old handicapped daughter. She is mentally impaired from a brain trauma. I also told him that I'm 62 years old and I can't get a job at my age. And he was forcing me to go on welfare or some government program. He said it wasn't his problem and he was just doing his job. I have a home business here so that I can take care of my daughter. I would have to put her in a group home or a Government compound. Please don't make me do this. I asked Charlie if he would sign the papers to waiver but he said he couldn't do this, if he done it for me he'd have to it for other people. But since then I have talked to three other people that he has done this for. I don't if it's because I don't have the money to move it or I'm not important enough. I've had several phone calls from Betty Cohen, the Assistant Attorney. I tried to call my Congressman, Ralph Regula for over a year. He was too busy to take my call. I did all their upholstery work but he has not returned my call. I also tried to contact [unintelligible] office. I talked to his secretary she promised to relay my story and call me back but she never did. The last time I talked to Charles Rose I was asked not to call his office again. That if I had any more questions to call Betty Cohen. She called me and told me to never call his office again. I asked her several questions and she said that she would have to get back to me but she never did.

Now last June, Betty Cohen, Charles Rose, Gary Farnen [phonetic] and Kenneth Bomgardner [phonetic] and Gary Baxter came to my home and told me that this was my last chance, that I had to take the building down, and if I didn't, I would be going to Court. They said if I gave the any trouble they would be making me take down more than just my barn. And I told them that I would try to cooperate and get the building down. I would like to know, I have a few questions that I'd like to have the answers to but no-one seems to come up with them yet. I told them that, I understand why they didn't dig out the big [unintelligible] dam, it used to be 20 or 30 feet deep but now it's just flat land. Charles Rose told me that it wouldn't make any difference. Common sense tells me that it would. Also what's happened in the last 42 years that's changed the water flow? And how many new homes are being allowed to be built in an area that would put water property of homes already established. And why are they using money that is supposed to be used for the dam to [unintelligible]. They wouldn't answer my questions and they just told me to get my barn down. I don't have the money to take my barn down and I can't afford an

attorney. I've run out of places to go for help. Please help me and my daughter. Thank you. I appreciate you hearing me today.

MR. BARRERA: You have some very moving testimony and what we can do for you today is that, you know, we will take it to the Court of Engineers and send them the comments that you've got. We've got your written testimony. I know you've already sent something to our office, so it's already forwarded to them. We'll only give them 30 days to respond. And we will try to get their response and we'll get that back to you. We'll also be reporting to the people here today about how this particular situation goes.

MS. CONRADY: Okay. Thank you.

MR. BARRERA: Well I do appreciate you calling in and good luck to you. Okay. And we'll do what we can here.

MS. CONRADY: Thank you.

MR. BARRERA: Thank you.

MS. CONRADY: Thank you.

MR. GARY PEELE: We've another call coming in in five minutes. We received some comments from a business that wishes to remain anonymous that really somewhat in the Ombudsman's purview but some of the items had to do with contracting. But I'll read a few of them into the record and I thought that the business owners representative here, and they may be filing information comment form [phonetic] with the Ombudsman's office.

MR. BARRERA: Gary, do you want to introduce yourself?

MR. PEELE: Oh, I'm sorry. I'm Gary Peele, I'm with the Small Business Association in Chicago. [Unintelligible]. Um, company XYZ, calls itself a concerned small business speaking on behalf of small business community on pharmaceutical distributors. So it has to do with the VA. They comment about the Veterans Administration's approach to federal compliance in the area of small business set-aside. They're talking about the experience as being frustrating, non-productive, financially burdensome because of a general trend towards meeting SBA small business goals with small business awards only in selected industries, rather than across the whole breadth of industries in which small businesses are engaged. They talked about a tendency towards 11th hour unannounced pulling of small business set-aside after small business has spent time, money and other resources to submit a comprehensive bid proposal. They comment about the application of the SBA [unintelligible] procurement strategy called small business cascading set-aside where the cascading method that excludes small pharmaceutical businesses from PPA contracts. They described it as small businesses given an opportunity to better a contract or portion of a contract because [unintelligible] is

authorized by the small business ad. Based on the concept that the Government desires to assist small businesses in procurement process because a small business cannot by definition meet the same pricing levels as a big business. Especially for a smaller body amounts that are designated as a set-aside. How the cascading process works is the small business's ability to succeed in the bid proposal area is greatly impeded due to a current practice of determining fair market price. They're talking about comparing large business prices with small business prices. Calling it a two-tier cascading method which this business believes [unintelligible] it become as a spokesman for the industry that it allows the VA to withdraw the small businesses solicitation or the small business set-aside because the small business can't meet the price. So it has a new policy and regulation limitation.

Basically two more points. They believe that there's a need to create a greater awareness that a pharmaceutical small business is in no way less capable than a big business relative to smaller contracts. This company has had to meet the exact same rigorous FDA requirements as any big business to qualify for a license as a pharmaceutical supplier. All the special handling, refrigeration, capabilities are present. They wish that the VA would acknowledge that Copydex [phonetic] computer and communication technology is now available both equally to large business as well as small business and technical capabilities as such as a category no longer should be a basis for disqualifying a small business. Thank you.

MR. BARRERA: Thank you Gary. We get one more, which's going to call in.

MALE VOICE: Yes sir. Ron Summers should be calling in in about a minute.

MR. BARRERA: While we're waiting that would conclude our testimony today. I'm not sure if anyone has any comments they may want to make while we're waiting or questions that you've heard, some things that you've heard today that you may, see how this works. While we're waiting, I'll tell you how this is going to work. We're going to hear the testimony. What we'll do, if we have the written testimony with us we'll send it directly to the agency as soon as we return. If not, what we'll do is we'll take this tape; it's going to be transcribed. We send it off for transcription. And it'll take about anywhere between 30-45 days. We get that transcription back. We reduce it, by agency, the comments and then we'll send that to the agency. So it delays it about 30-45 days, so we can, we have to check the transcription and make sure the company that's transcribing got the information right. So that's why it takes a little longer. So that's what happens. And then what we do is we then give the agencies 30 days to respond. And we actually grade them, how well they respond, how quickly they respond. If we contact them about this hearing in sufficient time and whether or not they attended the hearing. They

get graded on that. We grade them on whether or not they have non-retaliation policies. Whether or not, that means are they going to make sure that you're not going to be retaliated against because you have filed a comment. When we first got started only one agency had a non-retaliation policy. Right now 28 agencies have that non-retaliation policy. So that culture is changing. Are we where we want to be? No. But I often say that anything run by humans will never be perfect. And the Government is still run by humans, so. And that's why it's so important that you do tell us what we're hearing. Because sometimes one day you go along and someone they tell us, hey I don't like the way you're doing it. We think we're alright and we won't listen. So it's important that someone else hears that story so someone else can bring that issue to you. Okay. I think our caller is on.

MALE VOICE: Ron, is that you?

MR. RON SUMMERS: Yes.

MALE VOICE: Okay. You're on. This is the Ombudsman's Regulatory Fairness Hearing. Could you identify yourself please?

MR. SUMMERS: Well.

MALE VOICE: Go right ahead.

MR. SUMMERS: Okay. My name is Ron Summers. Been in the roofing business for over 30 years. I started working with my father and later branched out on my own. Between my father and me we have sub-contracted with the same company since I can remember. I have two part-time helpers that have worked with me for several years. Neither of them has ever been hurt on a job. I taught them the proper way to roof and conduct themselves safely several years ago. The day the OSHA inspector approached our job, I wasn't there, and I was at another site preparing an estimate. When I was notified that OSHA inspectors had advised my helpers that they should have walk planks, safety glasses, and safety classes I complied immediately. However the inspector never came back the next day to check with my job. I felt that if he was truly concerned about my men's safety on the job, he would have come back. Instead, two days later he called the office of the company I [unintelligible] for. He called to tell me I was being fined for not complying with OSHA regulations. I told him that I had never had a problem before, that I had remedied everything he had suggested. He merely replied that that would probably help with my fine. Now, keep in mind that he didn't even know if I was telling the truth because he never came back to the job. Right. That tells me that's money, not safety, was his true concern.

We're with OSHA for the last 30 years, since I have been working. They were dealing with the big companies, because that's where the money was. Why are coming at the little guys now? This was my first encounter with them. Why not a warning? I don't have a

college degree, a large business or even an attorney. The fine was more than I make in a month. It was a total of \$2700 but if I paid within 15 days I could reduce it to \$1890. That's still way above my income. I talked to other, several other roofers, and they advised me just to pay, pay the fine. They said trying to fight OSHA is like trying to fight City Hall. So since I couldn't afford to hire an attorney, take a chance on losing more money, I had to let some of my bills go past due in order to get OSHA paid on time. Normally my budget isn't quite this tight, but due to bad weather last winter the big roofing companies [unintelligible] prices my job better than small repairs has been [unintelligible]. Being a self-employed residential roofer I had not even been able to afford health insurance coverage for my family for nearly 15 years. In closing I want to thank everyone for listening to me today and if I can just keep one other laborer like me from having to choose between a huge OSHA fines and paying his monthly bills, I will have succeeded. Thank you.

MALE VOICE: Ron, where are you from?

MR. SUMMERS: [Unintelligible] Ohio.

MALE VOICE: From [unintelligible] Ohio. Thank you.

MR. BARRERA: Ron, be sure and submit your comment if you have it. I don't know if you've submitted that online. You have submitted it to our office in DC already. Right?

MR. SUMMERS: You say you want me to fax this thing –

MR. BARRERA: [Interposing] No, no.

MALE VOICE: Ron, have you submitted it? Has it been submitted correct [phonetic]?

MR. SUMMERS: Yes.

MR. BARRERA: Okay. Well what we'll do Ron, we will give that to OSHA. Normally they're very receptive and responsive to whatever your comment will be. And you should be hearing from our office within 30 to 40 days. And we actually have someone here from the Department of Labor that wants to say a couple of things.

MS. SMITH: I just want to let him know that we have received a comment and we forward that comment onto the agency. So they're currently addressing his issues right now.

MR. BARRERA: Okay. Did you hear that Ron?

MR. SUMMERS: I didn't understand –

MALE VOICE: Ron, the issue of, the Department of Labor commented they got, the OSHA Department of Labor, they have commented that they've received your comment and that they are looking into it and you should be expecting a response, within a short

period of time.

MS. SMITH: Right now, it will take 30 day timeframe.

MALE VOICE: 30 day timeframe for the –

MR. BARRERA: Okay.

MR. SUMMERS: Okay.

MR. BARRERA: Thanks Ron. We appreciate it.

MR. SUMMERS: Okay. Thank you.

MR. BARRERA: Well I think that kind of wraps it. This was an amazing hearing. We've had, you know, the fact that we had the Chairman from the Small Business Committee here. We've heard testimony from Wisconsin, Ohio and throughout Illinois and I appreciate all the Federal Agencies coming. I wonder if you guys would like to maybe say a couple of things before we wrap up. Don't blame them. They're the nice ones. But you know the fact that they're here does say something. And you know it's always difficult to, because I've been to hearings myself where they are complaining about the SBA. And it's always difficult to hear about how you're doing. And it's always easy to sit here and let them take the heat, I like that part. But they have, but there have been times when people have not been happy with the SBA. And we've had to sit there and listen because it's important that we listen to it. We don't learn unless we listen. So it's been very, very helpful. I want to thank Judith. I know that Judith's going to close up the meeting here. I want to thank our Chief of Staff for coming in. Ed drove in from Wisconsin to show you passion that we have here. I'm not sure, Steven do you want to say a couple of words?

MR. GALVAN: Well, you know. This is my first hearing and you hear you really hear how it's affecting the small business. We talked about reducing burden of regulation but when we hear it from you we really get a first hand knowledge and again I appreciate what you're doing Michael, and Pat and Judith. But also my fellow colleagues in the Government, it's much appreciated because I deal with a lot of your Chief of Staffs, your Deputy Secretaries and I will continue on my role to make these comments and these hearings are important. And individuals in the Federal Agencies are hearing what's impacting small business because if we really want to fuel this economy, it's important that we continue our focus and our jobs and again it's much appreciated.

MR. BARRERA: Thank you Steven. And before I go I want to thank someone that's been kind of the quiet ghost around here and that's been Gary Peele. And I want to thank Gary, because when Gary was with the original office, the Ombudsman. The Ombudsman's office used to be based out of the Chicago office. And Gary's been

very, very, helpful since the beginning. And this is like our second hearing with him. And I want to thank Gary for all the work that he's done. And I to give him actually a hand of applause for all the work that he's done.

[Applause]

MR. BARRERA: Although it looked like it went smoothly, you wouldn't believe how much work goes into making sure that it goes smoothly. Anybody's who has ever thrown a party, you know how it is. So Judith, I'm going to let you, follow-up and Patrick I want to thank you also.

MS. ROUSSEL: Thanks Mike. I guess there's not much left to be said other than thank the -

[END TAPE 1 SIDE A]